

Midland County Hospital District



Fiscal Year 2021 Operating and Capital Budget

Approved by: _____

A handwritten signature in blue ink, appearing to read "Jeffrey Beard", is written over a horizontal line.

Jeffrey Beard, President
Board of Directors

Date 9/30/20



TO: Midland Memorial Hospital Finance Committee
Midland Memorial Hospital Board of Trustees
Midland County Hospital District Board of Directors

FROM: Stephen Bowerman, Chief Financial Officer/Chief Operating Officer

DATE: September 24, 2020

RE: FY2021 Budget Highlights

Enclosed are the proposed fiscal year 2021 operating and capital budgets for Midland County Hospital District (MCHD). We have included five exhibits that provide the major components and assumptions for these budgets. The highlights of each summary schedule are discussed below:

- I. Statistic Schedules (See Exhibit 1)
The schedule presents the estimated volumes for budget year 2021. For comparison, the statistics for fiscal year 2019 and the projected fiscal year 2020 are also presented. We expect overall volume to increase as COVID becomes less burdensome. We are using FY 2019 actual as a baseline in most categories. Choice Care Surgery Center will certainly impact some outpatient surgery, endoscopy and imaging volume.
- II. Income Statements for Operations (See Exhibit 2). This schedule presents the overall revenues and expenses for the budgeted fiscal year.
 - A. Initiatives Impacting Fiscal Year 2021 Operations
 1. Maintenance & Operations Tax Rate – We will recommend the district adopt a tax rate of \$0.083508 for FY2021 which is a nominal increase from the FY2020 M&O rate of \$0.082618. This is caused by a reduction in values. New property will generate \$1,103,654 in additional tax revenues.
 2. Interest & Sinking Tax Rate – We will recommend the district adopt a tax rate of \$0.016126 per \$100 valuation, in order to pay principal and interest in the coming year on the general obligation bonds.
 3. Combined Ad Valorem Tax Rate – The combined tax rate we are proposing for the FY2022 year is \$0.099634 per \$100 valuation, There will be no new tax revenues generated on the same property, year over year, by this tax rate.

Fiscal Year 2021
Operating & Capital Budget
Budget Highlights

4. Net Income - FY2021 projects a net income of \$6,669,018 compared to a forecasted net income in FY2020 of \$2,386,454, an increase from our Fiscal Year 2020 forecast by \$4.3 million.

III. Cash Flow (See Exhibit 3)

- A. Cash flow projections for Fiscal Year 2020 show total days cash on hand to be at 90.04. By the end of Fiscal Year 2021 we anticipate the days of cash on hand to be 68.56. While this represents a \$15.8M drop in cash, \$20.8M is being paid back to CMS as part of the Medicare Advance received in April 2020. Net of this payback, cash is projected to increase by \$5M.

IV. Capital Budget (See Exhibit 4)

- A. Total Capital Budget for Fiscal Year 2020 - \$20,000,000. Major projects for FY 2021 include catch up from FY 2020 capital delays caused by COVID-19. We will also proceed with a \$5.5M patient monitoring replacement, \$3.2M in information technology upgrades, \$3.8M in facility upgrades and \$5M in routine capital replacements.

Midland County Hospital District
 Operating Budget
 Operating Statistics
 Fiscal Year 2019, Projected Fiscal Year 2020 and Budget Year 2021

	<u>2019</u>	<u>Projected</u> <u>2020</u>	<u>Budgeted</u> <u>2021</u>	<u>Variance</u>	<u>Percent</u>
Admissions	10,777	10,243	10,710	467	4.6%
Adjusted Admissions	26,665	23,909	25,202	1,293	5.4%
Patient Days	48,356	46,336	49,416	3,080	6.6%
Adjusted Patient Days	119,644	108,156	116,284	8,128	7.5%
Average Length of Stay	4.49	4.52	4.61	0.09	2.0%
Average Daily Census	132.5	126.6	135.4	8.8	7.0%
Deliveries	2,612	2,506	2,720	214	8.5%
Outpatient Visits (Excl ER)	96,154	91,630	95,908	4,278	4.7%
Inpatient Surgery Minutes	217,685	200,204	206,800	6,596	3.3%
Outpatient Surgery Minutes	627,484	569,402	614,864	45,462	8.0%
Emergency Visits	69,237	54,364	69,236	14,872	27.4%
Total Worked FTE's	1,575	1,592	1,640	48	3.0%
Total Paid FTE's	1,736	1,737	1,825	88	5.1%
Hospital Total CMI	1.45	1.48	1.51	0.03	2.0%
Worked Hours CMI Adj. Disch.	84.73	93.94	89.64	(4.30)	(4.6%)

Midland County Hospital District
GAAP Operating Budget
Fiscal Year 2019, Projected 2020 and Budget 2021

	<u>FY 2019</u>	<u>FY 2020 Projection</u>	<u>2021 Budget</u>	<u>Variance</u>	
<u>Patient Revenue</u>					
IP Revenue	454,195,638	462,890,782	515,614,712	52,723,931	11.39%
OP Revenue	669,591,395	617,578,354	697,713,968	80,135,614	12.98%
Gross Revenue	<u>1,123,787,033</u>	<u>1,080,469,135</u>	<u>1,213,328,681</u>	<u>132,859,545</u>	<u>12.30%</u>
<u>Deductions from Revenue</u>					
IP Deductions	338,911,902	341,454,882	375,951,651	34,496,769	10.10%
OP Deductions	499,636,003	455,579,994	531,578,938	75,998,944	16.68%
Bad Debts - Self Pay	37,288,796	35,172,542	45,075,757	9,903,215	28.16%
Bad Debts - After Insurance	13,729,848	21,372,870	14,019,645	(7,353,225)	(34.40%)
Charity Deductions	6,364,657	14,876,605	23,835,448	8,958,843	60.22%
Total Deductions	<u>895,931,206</u>	<u>868,456,892</u>	<u>990,461,439</u>	<u>122,004,547</u>	<u>14.05%</u>
Net Patient Revenue	227,855,827	212,012,243	222,867,242	10,854,998	5.12%
1115 Waiver/DSH/QIPP/UC/NAIP <i>(detail next page)</i>	28,457,084	32,859,644	27,100,000	(5,759,644)	(17.53%)
Supplemental Payments-COVID19	-	17,110,893	-	(17,110,893)	(100.00%)
Other Operating Revenue	<u>9,181,162</u>	<u>8,413,825</u>	<u>8,568,396</u>	<u>154,571</u>	<u>1.84%</u>
Net Operating Revenue	<u>265,494,073</u>	<u>270,396,605</u>	<u>258,535,638</u>	<u>(11,860,967)</u>	<u>(4.39%)</u>
<u>Operating Expenses</u>					
Salaries & Wages	108,864,522	116,647,880	118,011,502	1,363,622	1.17%
Contract Labor	7,112,158	6,653,356	4,631,998	(2,021,358)	(30.38%)
Benefits	23,801,895	22,897,466	25,304,303	2,406,837	10.51%
Supplies	51,498,970	51,594,900	52,108,371	513,471	1.00%
Purchased Services	16,926,066	19,591,753	19,968,166	376,413	1.92%
Professional Fees	3,983,121	3,220,593	3,306,696	86,103	2.67%
Marketing	995,770	772,864	1,166,000	393,136	50.87%
Repairs & Maintenance	3,997,737	4,458,339	4,206,066	(252,273)	(5.66%)
Rents & Leases	2,209,403	2,173,961	2,201,033	27,072	1.25%
Utilities	3,551,718	3,650,761	3,729,423	78,662	2.15%
Insurance	586,342	689,872	673,167	(16,705)	(2.42%)
1115 Waiver (Private)**	15,850,000	14,617,208	7,925,000	(6,692,208)	(45.78%)
DIAWTT Distributions	7,681,582	6,604,425	3,923,497	(2,680,928)	(40.59%)
Other	<u>3,828,762</u>	<u>4,043,191</u>	<u>3,949,331</u>	<u>(93,860)</u>	<u>(2.32%)</u>
Total Operating Expense	<u>250,888,046</u>	<u>257,616,569</u>	<u>251,104,553</u>	<u>(6,512,016)</u>	<u>(2.53%)</u>
Operating EBITDA	14,606,026	12,780,036	7,431,085	(5,348,952)	(41.85%)
Depreciation	(23,103,563)	(24,765,708)	(26,549,621)	(1,783,913)	7.20%
Amortization	(406,818)	(406,817)	(406,817)	-	0.00%
Gain/Loss on Asset Sales	-	93,199	-	(93,199)	(100.00%)
Interest Expense	(2,196,882)	(1,761,669)	(2,052,360)	(290,691)	16.50%
Interest Expense GOB	<u>(3,990,762)</u>	<u>(3,928,254)</u>	<u>(3,798,970)</u>	<u>129,284</u>	<u>(3.29%)</u>
	<u>(29,698,025)</u>	<u>(30,769,250)</u>	<u>(32,807,768)</u>	<u>(2,038,519)</u>	<u>6.63%</u>
Operating Income (Loss)	<u>(15,091,999)</u>	<u>(17,989,214)</u>	<u>(25,376,684)</u>	<u>(7,387,470)</u>	<u>41.07%</u>
Advalorem Taxes	36,326,768	39,707,405	40,109,175	401,770	1.01%
Sales Taxes	-	-	19,875,000	19,875,000	100.00%
Investment Income	323,201	382,879	444,161	61,282	16.01%
Other <i>(detail next page)*</i>	<u>(14,482,395)</u>	<u>(19,714,616)</u>	<u>(28,382,634)</u>	<u>(8,668,018)</u>	<u>43.97%</u>
Total Other NonOperating	<u>22,167,574</u>	<u>20,375,668</u>	<u>32,045,702</u>	<u>11,670,034</u>	<u>57.27%</u>
Net Income (Loss)	<u>7,075,575</u>	<u>2,386,454</u>	<u>6,669,018</u>	<u>4,282,564</u>	<u>179.45%</u>

Midland County Hospital District
GAAP Operating Budget
Fiscal Year 2019, Projected 2020 and Budget 2021

	<u>FY 2019</u>	<u>FY 2020 Projection</u>	<u>2021 Budget</u>	<u>Variance</u>	
<i>Continue from prior page</i>					
Detail Other Non-Operating Expense:					
Foundation Management Fee	(1,100,000)	(1,100,000)	(1,100,000)	-	0.00%
501A-Premier Family Care*	(2,334,425)	(5,372,800)	(5,096,906)	275,894	(5.14%)
501A-Permian Cardiology, Inc.	(1,735,985)	(2,609,454)	(2,305,880)	303,574	(11.63%)
501A-Midland, Tx Orthopedic Group*	(4,342,402)	(4,428,164)	(2,544,291)	1,883,873	(42.54%)
501A-Midland Inpatient Medical Association*	(6,188,689)	(5,247,774)	(5,004,005)	243,769	(4.65%)
Texas Health Care Linen	110,908	19,485	55,000	35,516	182.28%
Texas Surgery Center	537,478	306,857	300,000	(6,857)	(2.23%)
Continue Care (LTACH)	275,000	-	-	-	0.00%
Foundation Grants	2,056,207	2,795,364	1,750,000	(1,045,364)	(37.40%)
Encompass Rehab	1,165,668	827,670	750,000	(77,670)	(9.38%)
Permian Basin Community Center	1,836,041	1,899,996	1,899,996	-	0.00%
Tobacco/Other	601,219	697,142	612,000	(85,142)	(12.21%)
Texas Purchasing Coalition Equity	900,173	515,713	350,000	(165,713)	(32.13%)
Midland County Grant Funding	2,500,000	-	-	-	0.00%
Waiver Other Provider Expenses	(8,763,588)	(8,018,651)	(18,048,548)	(10,029,897)	125.08%
Total Other NonOperating Income (Loss)	<u>(14,482,395)</u>	<u>(19,714,616)</u>	<u>(28,382,634)</u>	<u>(8,668,018)</u>	<u>43.97%</u>

Detail 1115 Waiver/DSH/QIPP/UC/NAIP

DSH	9,860,445	8,859,944	7,750,000	(1,109,944)	(12.53%)
UC	6,272,356	9,872,704	6,990,000	(2,882,704)	(29.20%)
DSRIP	9,383,381	9,450,000	9,450,000	-	0.00%
NAIP	5,000,000	5,000,000	5,000,000	-	0.00%
UHRIP	(3,277,279)	(1,525,874)	(3,300,000)	(1,774,126)	116.27%
QIPP	1,100,000	1,100,000	1,100,000	-	0.00%
GME	118,181	102,869	110,000	7,131	6.93%
	<u>28,457,084</u>	<u>32,859,644</u>	<u>27,100,000</u>	<u>(5,759,643)</u>	<u>(17.53%)</u>

Midland Memorial Hospital
Operations Summary
Fiscal Year 2019, Projected 2020 and Budget 2021

	FY 2019	FY 2020 Projection	2021 Budget	Variance	
<u>Patient Revenue</u>					
IP Revenue	454,195,638	462,890,782	515,614,712	52,723,931	11.39%
OP Revenue	669,591,395	617,578,354	697,713,968	80,135,614	12.98%
Gross Revenue	<u>1,123,787,033</u>	<u>1,080,469,135</u>	<u>1,213,328,681</u>	<u>132,859,545</u>	<u>12.30%</u>
<u>Deductions from Revenue</u>					
IP Deductions	338,911,902	341,454,882	375,951,651	34,496,769	10.10%
OP Deductions	499,636,003	455,579,994	531,578,938	75,998,944	16.68%
Bad Debts - Self Pay	37,288,796	35,172,542	45,075,757	9,903,215	28.16%
Bad Debts - After Insurance	13,729,848	21,372,870	14,019,645	(7,353,225)	(34.40%)
Charity Deductions	6,364,657	14,876,605	23,835,448	8,958,843	60.22%
Total Deductions	<u>895,931,206</u>	<u>868,456,892</u>	<u>990,461,439</u>	<u>122,004,547</u>	<u>14.05%</u>
Net Patient Revenue	227,855,827	212,012,243	222,867,242	10,854,998	5.12%
Other Income	9,181,162	8,413,825	8,568,396	154,571	1.84%
Net Operating Revenues	<u>237,036,988</u>	<u>220,426,068</u>	<u>231,435,638</u>	<u>11,009,570</u>	<u>4.99%</u>
<u>Operating Expenses</u>					
Salaries & Wages	108,864,522	116,647,880	118,011,502	1,363,622	1.17%
Contract Labor	7,112,158	6,653,356	4,631,998	(2,021,358)	(30.38%)
Benefits	23,801,895	22,897,466	25,304,303	2,406,837	10.51%
Supplies	51,498,970	51,594,900	52,108,371	513,471	1.00%
Purchased Services	16,926,066	19,591,753	19,968,166	376,413	1.92%
Professional Fees	3,983,121	3,220,593	3,306,696	86,103	2.67%
Marketing	995,770	772,864	1,166,000	393,136	50.87%
Repairs & Maintenance	3,997,737	4,458,339	4,206,066	(252,273)	(5.66%)
Rents & Leases	2,209,403	2,173,961	2,201,033	27,072	1.25%
Utilities	3,551,718	3,650,761	3,729,423	78,662	2.15%
Insurance	586,342	689,872	673,167	(16,705)	(2.42%)
Interest Expense	2,196,882	1,761,669	2,052,360	290,691	16.50%
DIA and WTT distributions	7,681,582	6,604,425	3,923,497	(2,680,928)	(40.59%)
Other	3,828,762	4,043,191	3,949,331	(93,860)	(2.32%)
Total Operating Expense	<u>237,234,928</u>	<u>244,761,029</u>	<u>245,231,913</u>	<u>470,884</u>	<u>0.19%</u>
Net Operating Income/(Loss)	<u>(197,940)</u>	<u>(24,334,961)</u>	<u>(13,796,275)</u>	<u>10,538,686</u>	<u>-43.31%</u>
<u>Other NonOperating Income (Loss)</u>					
501a Support	(14,601,501)	(17,658,192)	(14,951,082)	2,707,110	(15.33%)
Midland Memorial Inc.	1,814,054	1,154,011	1,105,000	(49,011)	(4.25%)
MMCC (LTACH Continue Care)	275,000	-	-	-	0.00%
Foundation Management Fee	(1,100,000)	(1,100,000)	(1,100,000)	-	0.00%
Foundation Grants	2,056,207.00	2,795,364	1,750,000	(1,045,364)	(37.40%)
Texas Purchasing Coalition	900,173	515,713	350,000	(165,713)	(32.13%)
Midland County Grant Funding	2,500,000	0	-	0	0.00%
Permain Basin Community Center	1,836,041	1,899,996	1,899,996	0	0.00%
Total Other NonOperating Income (Loss)	<u>(6,320,027)</u>	<u>(12,393,108)</u>	<u>(10,946,086)</u>	<u>1,447,022</u>	<u>(11.68%)</u>
Total Net Operating Income (Loss) plus Other NonOperating Income (Loss)	<u>(6,517,967)</u>	<u>(36,728,069)</u>	<u>(24,742,361)</u>	<u>11,985,708</u>	<u>(32.63%)</u>
<u>Other Income (Expense) Federal Funding</u>					
Tobacco/Other	601,219	697,142	612,000	(85,142)	(12.21%)
NAIP Funding	5,000,000	5,000,000	5,000,000	-	0.00%
1115 Waiver/DSH/UC/UHRIP/QIPP/GME	23,457,084	44,970,537	22,100,000	(22,870,537)	(50.86%)
1115 Waiver (Private)	(15,850,000)	(14,617,208)	(7,925,000)	6,692,208	(45.78%)
Waiver Other Provider Expenses	(8,763,588)	(8,018,651)	(18,048,548)	(10,029,897)	125.08%
Total Other Income (Expense) Federal Funding	<u>4,444,716</u>	<u>28,031,820</u>	<u>1,738,452</u>	<u>(26,293,368)</u>	<u>(93.80%)</u>
Ad Valorem Taxes	36,326,768	39,707,405	40,109,175	401,770	1.01%
Sales Taxes	-	-	19,875,000	19,875,000	100.00%
Net Income (Loss)*	<u>34,253,517</u>	<u>31,011,156</u>	<u>36,980,266</u>	<u>5,969,110</u>	<u>19.25%</u>

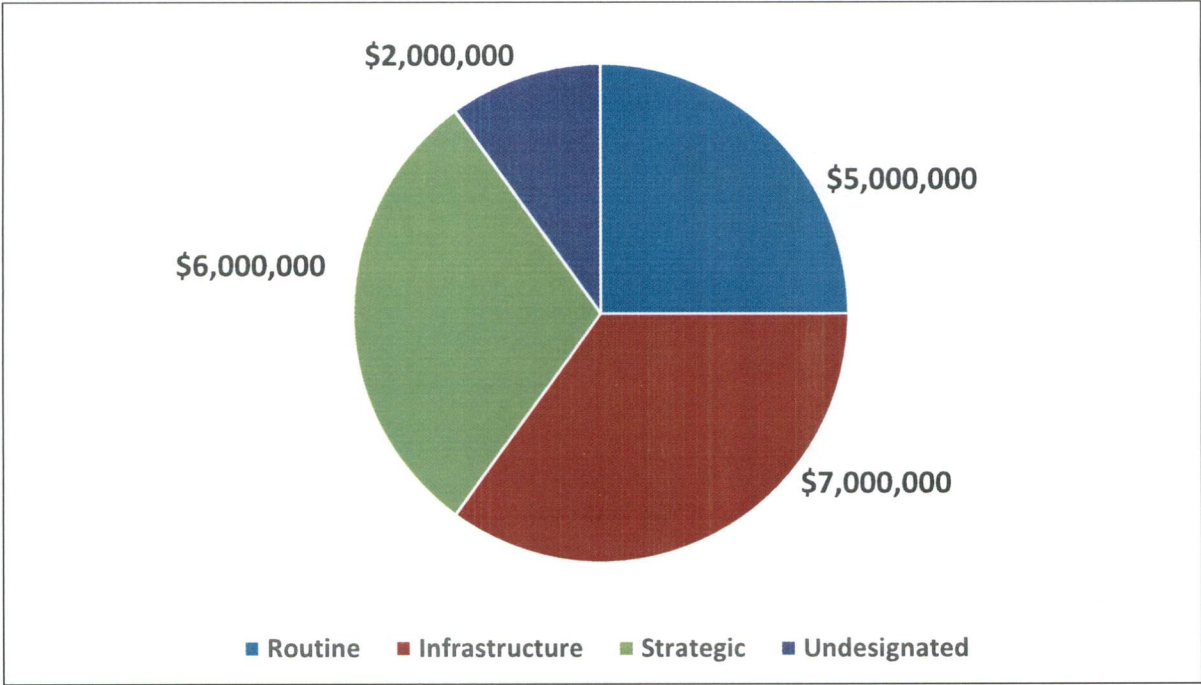
*(does not include depreciation, amortization, interest income, gain/loss on asset sales, GOB interest expense)

**Midland County Hospital District
Cash Projections
Fiscal Year 2019, Projected 2020 and Budget 2021**

Cash Flow Projection

	<u>FY2018</u>	<u>FY2019</u>	<u>FY2020</u>	<u>FY2021</u>
Unrestricted cash available (beginning balance)	27,937,200	10,132,959	24,516,498	62,958,746
Receipts:				
Receipts on Patient Accounts	204,827,993	225,065,479	222,352,971	227,435,218
Supplemental Payments Gross	46,555,777	63,706,213	62,243,085	41,808,496
Supplemental Payments IGT	(19,586,446)	(29,647,021)	(25,386,064)	(14,746,883)
Other Cash Receipts	10,778,720	14,272,034	13,358,323	13,574,434
Other Cash Receipts Rental Income	3,512,310	3,361,601	3,581,761	3,565,956
Other Cash Receipts Insurance Claim	-	1,557,727	-	-
Equity Investment Distributions	1,036,766	1,843,535	1,212,993	1,401,070
Cost Report Settlements	2,703,033	2,166,109	1,631,717	849,914
PBCC Grant	1,970,184	1,961,685	1,901,171	1,899,996
Ad Valorem Tax Receipts (Excluding I&S)	24,977,729	29,164,847	32,894,542	34,486,564
Sales Tax Receipts	-	-	-	15,458,333
Midland County Grant	-	2,500,000	-	-
NICU/Pharmacy/9th Floor Draws	-	1,266,647	9,918,356	16,169,421
Foundation Grants/Reimbursement	2,717,748	6,733,612	4,599,870	3,592,325
Prosperity Letter of Credit	18,900,000	21,714,996	-	-
Sale of Property	-	-	359,699	-
Covid-19 Relief Funds	-	-	38,630,682	(20,758,119)
Investment Income/Tobacco Settlement	726,843	954,660	1,106,344	1,056,161
Subtotal Receipts	299,120,656	346,622,123	368,405,450	325,792,886
Disbursements Operating Expenses:				
Labor	(133,020,667)	(140,688,534)	(148,119,260)	(150,447,803)
Accounts Payable	(125,699,539)	(139,055,495)	(135,473,501)	(130,144,967)
Physician Practice Support	(13,462,284)	(13,818,570)	(18,868,423)	(16,660,000)
Subtotal Disbursements Operating Expenses	(272,182,490)	(293,562,599)	(302,461,184)	(297,252,770)
Other Disbursements:				
Payment for debt service (excluding GO Bond)	(27,880,234)	(11,569,278)	(9,786,952)	(8,116,398)
Payment on letter of credit	-	(21,714,996)	-	-
NICU/Pharmacy/9th Floor Capital Project	-	(1,266,647)	(9,918,356)	(16,169,421)
Capital Purchases	(16,862,173)	(4,125,064)	(7,796,710)	(20,000,000)
Subtotal Other Disbursements	(44,742,407)	(38,675,985)	(27,502,018)	(44,285,819)
Unrestricted cash available (ending balance)	10,132,959	24,516,498	62,958,746	47,213,042
Average Daily Expense	667,925	682,547	699,239	687,958
Days Cash on Hand (Bond Rating)	15.17	35.92	90.04	68.63
Days Cash on Hand (Committee)	13.59	30.48	76.18	58.13

Midland County Hospital District
Operating and Capital Budgets
Capital Budget



Total FY 2021 Capital Budget \$20,000,000